



## A Comparative Study of Hdfc Standard Life and Icici Prudential Life Insurance Company in India.

MR.THANGA  
DURAI

Associate Professor in commerce, Vivek College of Commerce, Goregaon (West), Mumbai. Research Scholar, Bharathiar University

### ABSTRACT

Indian insurance market was nationalized in 1956 and Life Insurance Corporation of India (LIC) was set up. LIC of India enjoyed monopoly in Indian Insurance market for more than four decades. In 2000 the Insurance sector has liberalized and Insurance Development Regulatory Authority has set up. The private players are allowed to operate in collaboration with the foreign insurance companies. Initially the foreign Direct Investment in insurance sector was restricted to 26% which was lifted to 49% in 2015. After liberalization the private companies has been making remarkable performance and giving a tough fight to LIC to break the monopoly market condition by taking its market share. This paper focuses the role and performance of ICICI Prudential life and HDFC Standard Life Insurance Company for the period from 2005 to 2013 on parameters such as first year premium received, number of new policies issued, total sum assured, total premium of life insurers, settlement of claims etc.

**KEYWORDS :** Life Insurance, Insurance Penetration, Insurance Density, Insurance Premium, Market Share, Insurance Policy, Sum Assured, Growth Rate etc.

### INTRODUCTION

Insurance is a form of contract or agreement under which one party agrees in return for a consideration to pay an agreed amount of money to another party to make good for a loss, damage or injury, to something of value in which the insured has a pecuniary interest as a result of some uncertain event. The history and development of insurance in India can broadly be divided into four periods like early periods, Pre-Nationalization period, Post-Nationalization period and Post-Liberalization period.

### LIFE INSURANCE IN INDIA

The insurance industry of India consists of 52 insurance companies

of which 24 are in life insurance business and 28 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company.

Insurance Laws (Amendment) Act, 2015 provides for enhancement of the Foreign Investment Cap in an Indian Insurance Company from 26% to an Explicitly Composite Limit of 49% with the safeguard of Indian Ownership and Control. Insurance penetration of India i.e. Premium collected by Indian insurers is 3.90% of GDP in FY 2013-14. Per capita premium underwritten i.e. insurance density in India during FY 2013-14 is US\$ 52.0.

### PERFORMANCE HIGHLIGHTS OF THE LIFE INSURANCE SECTOR

Table: 1

Life Insurance Business Performance:	2013-14		2012-13	
	Public Sector	Private Sector	Public Sector	Private Sector
Premium Underwritten (Rs in Crores)	236942.30	77340.90	208803.58	78398.91
New Policies Issued (in Lakhs)	345.12	63.60	367.82	74.05
Number of Offices	4839	6193	3526	6759
Benefits Paid (Rs in Crores)	158081	58994	134922	56923
Individual Death Claims (Number of Policies)	760334	125027	750576	127906
Individual Death Claims Amount Paid (Rs in Crores)	8475.26	2385.33	7222.90	2147.32
Group Death Claims (Number of lives)	267296	158682	245467	119970
Group Death Claims Amount Paid (Rs in Crores)	1882.83	1222.25	1697.37	949.08
Individual Death Claims (Figures in per cent of policies)	98.14	88.31	97.73	88.65
Group Death Claims (Figures in per cent of lives covered)	99.65	90.45	99.54	87.79
No. of Grievances reported during the year	85284	289336	73034	267978
Grievances resolved during the year	85828	288836	72655	268415
Grievance Resolved (in percent)	100.64	99.83	99.48	100.16

Source: IRDA Annual Report (2013-14 & 2012-13)

### INDUSTRY: NEW BUSINESS PREMIUM<sup>1</sup>

Chart: 1

Growth	FY 2011	FY 2012	FY 2013	FY 2014	
Private	-20.0%	-23.9%	1.9%	-3.4%	15.9%
LIC	4.3%	11.2%	-4.1%	-3.4%	-26.3%
Industry	-8.5%	-4.8%	-1.9%	-3.4%	-10.3%

New Business Premium Growth

Chart: 2



**Retail weighted new business premium**  
**Source: IRDAI, Life Insurance Council**

**INSURANCE MARKET SIZE**

It shows Significant opportunity at current savings rate to further accelerate the growth of life insurance sector in India

Chart: 3

	FY 2002	FY 2008	FY 2014	FY 2020E*
Nominal GDP	23.56 CAGR 13%	49.87 CAGR 13%	113.45 CAGR 15%	262.42 CAGR 15%
Household savings	5.45 CAGR 13%	11.18 CAGR 11%	26.65 CAGR 15%	47.77 CAGR 15%
Gross financial savings	2.86 CAGR 18%	7.72 CAGR 9%	12.79 CAGR 15%	29.59 CAGR 15%
Insurance	0.41 CAGR 27%	1.70 CAGR 3%	2.00 CAGR 15%	4.62 CAGR 15%

Source: RBI, CSO

\* Company Estimates: ICICI Prudential Life Insurance

**OBJECTIVES OF THE STUDY**

The present study is focused to compare the performance of ICICI Prudential and HDFC Standard life insurance companies in India.

**PROFILE OF THE SELECTED LIFE INSURANCE COMPANY**

There are 24 Life insurance companies in India. Life Insurance Corporation of India (LIC) is the only Public Sector insurance company, the rest all being private insurance players. The Life Insurance sector was opened up for private players to participate in the year 2000. Most of the private players have tied up with international insurance biggies for their life insurance.

Private Life Insurance Companies (PLIC) in India plays a vital role in the growth of life insurance sector and also to the economic development of the country. Since economic reforms the life insurance sector is changing rapidly due to the continuous change in the customer needs and preferences. These changes have helped in a great number to both the urban and rural consumers. Private Life Insurance companies in India have worked continuously hard to grow since 2000. In order to increase its business PLIC of India has increased their life insurance offices. The study is based on the following two life insurance companies who are considered to be a market leader among the private life insurance companies operating in India.

**HDFC STANDARD LIFE INSURANCE COMPANY LIMITED**

HDFC Life is a joint venture between Housing Development Finance Corporation Limited (HDFC), India's leading housing finance institution and Standard Life plc, the leading provider of financial services in the United Kingdom. HDFC Ltd. holds 72.37% and Standard Life (Mauritius Holding) Ltd. holds 26.00% of equity in the joint venture, while the rest is held by others. HDFC Life continues to have one of the widest reaches among new insurance companies with about 500 branches in India.

**ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED**

ICICI Prudential Life Insurance Company Limited (ICICI Prudential Life) is a joint venture between ICICI Bank, India's second largest bank and prudential plc, a leading international financial services group headquartered in the United Kingdom. ICICI Prudential Life was among the first private sector life insurance companies to enter the life insurance industry in December 2000. ICICI Bank and Prudential plc hold 74% and 26% stakes, respectively.

**HYPOTHESES OF THE STUDY**

For the purpose of this study, the following null hypotheses are formed

1. There is no significant difference in the growth rate of first year business premium between HDFC Standard Life and ICICI Prudential Life insurance company
2. There is no significant difference in the growth of rate of new policies issued between HDFC Standard Life and ICICI Prudential Life insurance company
3. There is no significant difference in the growth rate of total sum assured between HDFC Standard Life and ICICI Prudential Life insurance company
4. There is no significant difference in the total life insurance premium collected by HDFC Standard Life and ICICI Prudential life insurance Company.
5. There is no significant difference in the settlement of claim between HDFC Standard Life and ICICI Prudential Life insurance Company.

**TOOLS EMPLOYED**

An attempt is made to analyze whether there is any significant difference in the Growth of fresh business premium, number of new policies issued and total sum assured, total life insurance premium received and settlement of claim between **HDFC standard life** and ICICI Prudential life insurance Company. For this purpose, **MANN - WHITNEY - U - TEST** was applied Mann - Whitney - U - Test is a non-parametric test. It makes it possible to work with very small samples..

**RESULTS AND DISCUSSION**

In order to evaluate the performance the variables such as first year premium received, number of new policies issued, total sum assured, total premium of life insurers, settlement of claims etc have been identified keeping in mind its importance to maintain efficiency and consistency of the life insurance business.

**Table (2) First Year Premium**

Year	ICICI Prudential	Growth Rate	HDFC	Growth Rate
2004-5	1584.34	0%	486.15	0%
2005-6	2602.5	64%	1042.65	114%
2006-7	5162.13	98%	1648.85	58%
2007-8	8074.75	56%	2685.35	63%
2008-9	6811.83	-16%	2651.11	-1%
2009-10	6333.92	-7%	3257.51	23%
2010-11	7862.14	24%	4059.33	25%
2011-12	4441.09	-44%	3857.47	-5%
2012-13	4808.62	8%	4436.07	15%

Source: IRDA Handbook

It is observed that there have been negative growth in the year 2008-09, 2009-10 and 2011-12, it may be because of global recession and slow down in the Indian economy during the recent periods.

**Table (3) Number of New Policies Issued (Policies in '000)**

Year	ICICI Prudential	Growth Rate	HDFC	Growth Rate
2005-6	237	0%	222	0%
2006-7	426	80%	198	-11%
2007-8	706	66%	317	60%
2008-9	913	29%	368	16%
2009-10	523	-43%	427	16%
2010-11	620	19%	314	-26%
2011-12	722	16%	565	80%
2012-13	731	1%	625	11%
2013-14	582	-20%	596	-5%

Source: IRDA Handbook

The growth in new policies issued by ICICI Prudential life found to be in increasing trend except the years 2009-10 with (-43%) and 2013-14 with (-20%). In case of HDFC standard life growth shows mostly in increasing except the years 2006-07 with (-11%), 2010-11 with (-26%) and in the year 2013-14 it is (-5%)

**Table (4) Total Sum Assured (Rs in Crores)**

Year	ICICI Prudential	Growth Rate	HDFC	Growth Rate
2005-6	13438	0%	11801	0%
2006-7	15403	15%	14253	21%
2007-8	21644	41%	16973	19%
2008-9	28914	34%	22251	31%
2009-10	27347	-5%	29544	33%
2010-11	36278	33%	35376	20%
2011-12	58660	62%	48128	36%
2012-13	77662	32%	86110	79%
2013-14	107246	38%	140937	64%

Source: IRDA Handbook

It is understood that there is a persistent double digit growth in the business in terms of sum assured of the ICICI Prudential life consistently except the year 2009-10 with (-5%). The rate of growth for HDFC Standard life is found to be in double digit positive momentum continuously from the year 2006-07 -2013-14.

**Table (5) Total Premium of Life Insurers (Rs. in Crores)**

Year	ICICI Prudential	Growth Rate	HDFC	Growth Rate
2006-7	7912.99	0%	2855.87	0%
2007-8	13561.06	71%	4858.56	70%
2008-9	15356.22	13%	5564.69	15%
2009-10	16528.75	8%	7005.1	26%
2010-11	17880.63	8%	9004.17	29%
2011-12	14021.58	-22%	10202.4	13%
2012-13	13538.24	-3%	11322.68	11%
2013-14	12428.65	-8%	12062.9	7%

Source: IRDA Handbook

The growth in the total premium received for ICICI Prudential is negative during the years 2011-12, 2012-13 & 2013-14, but for HDFC Standard life is found to be in double digit positive momentum continuously except the year 2013-14 with (7%).

**Table (6) Settlement of Claims (No. of Policies in 000)**

Year	ICICI Prudential	Growth Rate	HDFC	Growth Rate
2008-9	9298	0%	2549	0%
2009-10	14479	56%	3497	37%
2010-11	15160	5%	4369	25%
2011-12	14314	-6%	4952	13%
2012-13	14393	1%	5988	21%
2013-14	12608	-12%	6824	14%

Source: IRDA Handbook

The growth in claim settlement for ICICI Prudential is found to be in less growth momentum than the ICICI Prudential but in terms of total claim settled during the period from 2008-09 to 2013-14 in the six years period ICICI prudential life stands ahead of HDFC Standard life.

### COMPARATIVE ANALYSIS OF ICICI PRUDENTIAL AND HDFC STANDARD LIFE INSURANCE COMPANY

In order to know whether there is any statistically significant difference in the growth rates of public and private life insurance companies in terms of fresh business premium, number of new policies issued and total life insurance premium, Mann - Whitney- U - Test was used. For testing the null hypothesis, the U value was calculated. The results of Mann - Whitney

- U - Test is given in the following table.

**Table: 7 Results of Mann - Whitney- U - Test**

Hypotheses	Particulars	Tabulated U value	Result
H01	First year Premium Received	0.1732	Accepted
H02	Number of New Policies Issued	0.04236	Accepted
H03	Total Sum Assured	0.9283	Rejected
H04	Total Premium of Life Insurers	0.0039	Accepted
H05	Settlement of Claims	.00512	Accepted

Source: Calculated value

#### H01

The tabulated probability for  $n_1 = 9$ ,  $n_2 = 9$  and  $U' = 13$  is 0.01732, which is greater than 0.05 (5% level of significance) hence, the null hypothesis framed for this study is accepted. That means that there is no significant difference in the growth rates of fresh business premium in ICICI Prudential life and HDFC Standard Life Insurance Company.

#### H02

The tabulated probability for  $n = 8$ ,  $n_2 = 8$  and  $U' = 17$  is 0.04236, which is greater than 0.05 (5% level of significance) hence, the null hypothesis framed for this study is accepted. That means that there is no significant difference in the growth of number of new policies issued between ICICI Prudential life and HDFC Standard Life Insurance Company.

#### H03

The tabulated probability for  $n_1 = 9$ ,  $n_2 = 9$  and  $U = 39$  is 0.9283, which is less than 0.05 (5% level of significance) hence, the null hypothesis framed for this study is rejected. That means that there is A

significant difference in the growth of total sum assured between ICICI Prudential life and HDFC Standard Life Insurance Company.

#### H04

The tabulated probability for  $n = 8$ ,  $n_2 = 8$  and  $U' = 4$  is 0.00386, which is greater than 0.05 (5% level of significance) hence, the null hypothesis framed for this study is accepted. That means that there is no significant difference in the growth of total premium received between ICICI Prudential life and HDFC Standard Life Insurance Company.

#### H05

The tabulated probability for  $n = 6$ ,  $n_2 = 6$  and  $U' = 0$  is 0.00512, which is greater than 0.05 (5% level of significance) hence, the null hypothesis framed for this study is accepted. That means that there is no significant difference in the settlement of claim between ICICI Prudential life and HDFC Standard Life Insurance Company.

#### CONCLUSION

From the above analysis it can be concluded that the business of both the company has been increasing significantly in the first five years. In the last two years 2009-10 & 2011-12 the business of both companies including ICICI Prudential life and HDFC Standard Life Insurance Company has reduced some extends. It is understood that there is a close competition between ICICI Prudential life and HDFC Standard Life Insurance Company. In spite of this ICICI Prudential is continuously able to maintain number one position in life insurance business. It is inferred that overall businesses of HDFC Standard Life Insurance may be lower than ICICI Prudential but the rate of growth looks marginally better than ICICI Prudential. The overall performances of both the private insurance companies are very satisfactory and they need to continue this pace to penetrate their market more and more.

#### REFERENCES

1. Julia, Holyoake, Bill Weipers, (2002), Insurance, New Delhi, AITBS Publishers and Distributors.
2. Harold, D. Skipper, Jean Kwon, W. (2008). Risk Management and Insurance Perspectives in Global Economy. New Delhi, Wiley India (P) Ltd.
3. M. N. Mishra, M. N., Mishra, S. B. (2007), Insurance – Principles and Practice, New Delhi, S.Chand and Company Ltd.
4. Neelaveni, V. (2012, March), Financial Performance of Life Insurance Companies & Products. Zenith International Journal of Business Economics & Management Research Vol.2 Issue 3.
5. Natarajan, S, (2013, September), Determinants For Evaluating Life Insurance Corporation of India, Journal of Business Management & Social Sciences Research, (JBM&SSR), ISSN No: 2319-5614 Volume 2, 6.
6. SHAH, A, Mahesh, G. (2013). Indian Life Insurance Report-Negotiating the Troublesome Teens. Boston: Boston Consulting Group. Boston, Retrieved from <http://www.bcgindia.com/documents/file147643.pdf>
7. Ostaszewski, k,(2004,October). Is Life Insurance A Human Capital Derivatives Business?, Journal of Risk and Insurance, 8.
8. Insurance Regulatory and Development Authority of India, (2013-14), Annual Report, Hyderabad, India.
9. <http://www.policyholder.gov.in/>
10. <http://www.iciciprulife.com/public/default.htm>
11. <http://www.hdfclife.com/>